MANAGEMENT BY OBJECTIVES

(REPORT OF A SEMINAR)

Edited by :

Thiru H. K. GHAZI, I. A. S.

With a foreword by

Hon'ble Thiru N. V. NATARAJAN,

Minister for Backward Classes,
Government of Tamil Nadu.

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FOREWORD

Management by Objectives is an important new concept in the fields of management and administration. Where operations have to be conducted on a large scale, the differences between administration and management narrow down very considerably and a common approach to organaisational problems becomes possible. When long term objectives are considered, the differences narrow down still further and the administrator and the manager come to have many more things in common. Even where short-term objectives are in view, the administrators could still find many concepts embodied in the discipline of Management by Objectives, relevant to their respective fields of administration. Quite apart from this, there can always be fruitful exchange between administrators and managers whenever they meet on a common ground. Thus viewed, any attempt to bring the two together on to a common forum should always be welcomed. I was therefore particularly happy when the Tamil Nadu Branch of the Indian Institute of Public Administration organised a two-day Seminar on "Management by Objectives". It gave me great pleasure to have inaugurated the Seminar and I followed the subseuquent. proceeding with considerable interest. I now find from the printed Proceedings that the Seminar aroused lively interest among the participants and it excited the imagination of many others. I hope the Proceedings of the Seminar which have now been brought out in a book form would be read with great interest by all those engaged in the fields of administration and business management.

Fort St., George
Madras 600009
5-8-1974.

N. V. Natarajan,
Minister for Backward Classes.

PREFACE

The Tamil Nadu Regional Branch of the Indian Institute of Public Administration had the privilege of organising a Seminar on the burning topic of the day, namely, "Management by Objectives". To the good fortune of the Regional Branch the Madras productivity Council showed a great deal of interest in this venture and in fact, actively collaborated with our Regional Branch for the Organisation of the Seminar. The Indian Institute of Public Administration, Delhi also sanctioned a sum of Rs. 2,000/-for conducting this Seminar.

2. The Seminar excited considerable interest among administrators and top managers as would be obvious from the list of participants. The Honourable Minister for Backward Classes Thiru N. V. Natarajan very kindly consented to inaugurate the Seminar. His thought provoking inaugural address evoked considerable interest and virtually set the guidelines for the subsequent proceedings. Thiru T. Ramappa, Thiru A. Venkateswaran and Thiru K. N. Srinivasan who are intimately connected with the implementation of M.B.O. in the fields of management, very kindly made themselves available and set the tone for discussions in the working groups. The interest displayed by Thiru S. Narayan, Thiru R. Baktha, Thiru S. K. Rangarajan, Thiru V. Ramamurthy, Thiru G. V. S. Mani, Thiru P. Murari, Thiru T. V. Vasudevan and Thiru R. Thillainayagam deserve a special mention. Thiru P. A. Menon, our Vice-President also took interest in this Seminar.

3. It is sincerely hoped that the Proceedings of the Seminar which are now being issued in the form of a book would be found of some use by those engaged in the tasks of business management and administration.

H. K. GHAZI, I. A. S.,
Secretary

The Indian Institute of Public Administration
Tamil Nadu Regional Branch

(in collaboration with the Madras Productivity Council)

SEMINAR

ON

MANAGEMENT BY OBJECTIVES

29 and 30 April, 1974

LEGISLATORS' HOSTEL (OLD), MADRAS.

PROGRAMME

Monday 29 April 1974

Inauguration : 6 P. M.—Legislators Hostel, (Old) Government Estate, Madras-2.

Welcome—Thiru H. K. Ghazi, I.A.S.,

Speech by President—Thiru P. A. Menon, I.C.S. (Retd.)

Inaugural address—Thiru N. V. Natarajan,
Minister for Backward Classes.

Vote of Thanks—Thiru M. S. Hameed.

Film show : Management by Objectives.

Tuesday 30 April 1974

Forenoon Session - 10 A.M.—1 P.M.

Plenary Session—Presentation of the background paper by
Thiru H. K. Ghazi, I.A.S.,

Speeches by panel leaders :

1. Thiru T. Ramappa
2. Thiru A. Venkateswaran
3. Thiru K. N. Srinivasan

Discussion by the Working Groups.

Afternoon Session : 2-00 P.M.—5-30 P.M.

Discussion by the Working Groups

Welcome—Thiru S. V. Chittibabu,
Director of collegiate Education.

Presentation of the Reports of the Working Groups.

Presidential address—Thiru R. Ratnam,
President, Madras Productivity Council.

Vote of Thanks—Thiru R. Thillainayagam,
Managing Director, Pallava Transport corporation.

Welcome Speech by Thiru H. K. Ghazi, I. A. S.

THE INDIAN INSTITUTE OF PUBLIC ADMINISTRATION TAMIL NADU REGIONAL BRANCH

(in collaboration with the Madras Productivity Council)

Welcome by THIRU H. K. GHAZI, I. A. S.

Mr. President, Hon'ble Minister for Backward Classes and Friends,

It gives me great pleasure to welcome you all to the inauguration of the Seminar on "Management by Objectives". I am deeply grateful to Thiru N. V. Natarajan, the Minister for Backward Classes for having graciously consented to inaugurate our Seminar. I have had the privilege of having known the Hon'ble Minister for quite some time and I am personally aware of the amount of interest that he takes in administrative matters. The theory and practice of administration are fast undergoing a transformation on account of the sociological and technological changes of the modern age. It is therefore absolutely necessary for all of us to keep pace with the modern developments. The presence of the Hon'ble Minister is thus a great source of encouragement to all of us. The advice that the Hon'ble Minister would be giving us would virtually set the guidelines for the Seminar.

Thiru P. A. Menon, our Vice-President, is an experienced administrator and diplomat. It is our good fortune that he had made himself available to us this evening to encourage us and to inspire us.

I also welcome our participants from all sectors-the Private Sector, the Public Sector and from the academic field. With the interest displayed by so many talented persons we are sure to have a very interesting programme this evening and to-morrow.

I must also welcome the officers of the Madras Productivity Council. Thiru R. Ratnam, who is the President of the Productivity Council, is not feeling well and is therefore not able to attend the function this evening. We wish him a speedy recovery and we hope that he will be able to attend the Seminar to-morrow. I also welcome Thiru Hameed, Executive Secretary

of the Productivity Council, Thiru Ramappa, Thiru Venkateswarn and Thiru Srinivasan who with their vast experience in the field of management, are sure to make a deep impact on the minds of all of us and set us thinking on modern lines.

The Management by Objectives is a new technique in the field of administration. According to Drucker, what we need is :—

> " a principle of management that will give scope to individual strength and responsibility and at the same time give common direction of vision and effort, establish team work and harmonise the goals of the individual with the company's common weal. The only principle that can do this is Management by Objectives,"

The technique of Management by Objectives includes a thorough examination of the jobs and the tasks assigned to various officers. The jobs must provide ample scope for the exercise of initiative towards the achievement of individual targets as also the objectives of the administrative unit. The setting of objectives is very important and as humorously remarked by R.S.B. Knowles, "the jobs for which targets cannot be set down are not worth doing". One of the Working Groups may be going into this question tomorrow. We have also to ensure that Management by Objectives includes a systematic review of actual performance. The performance has to be judged in terms of targets fixed.

Thus, the Management by Objectives provides a new kind of approach in assessment of performance by officers on their jobs. Training is also extremely important. In fact, the technique of Management by Objectives is a part of the vital business of management development and has been rightly described by Management Training and Development Committee of the Central Training Council of Britian (1967), " as the total process of education, training and a planned experience." I sincerely hope that the three Woking Groups would bring forth recommendations which could be thought-provoking and practical.

Gentlemen, let me once again welcome you all to this inaugural function.

H. K. GHAZI, I. A. S.

Hon. Thiru N. V. Natarajan, Minister for Backward Classes Addressing the Meeting

Seminar on 'Management by Objectives' Inaugural address by

THIRU N. V. NATARAJAN

Hon'ble Minister for Backward Classes

It gives me great pleasure to inaugurate the Seminar organised by the Indian Institute of Public Administration, on 'Management by Objectives'. I understand that the Tamil Nadu Branch of the Indian Institute of Public Administration has been organising a number of lectures and seminars on different topics in the field of Public Administration. This is good because it gives practising administrators an insight into the theory and practice of public administration and a broad view of the recent developments in the field of management. In the recent past, many changes have taken place in the methods and techiniques of administration and even office procedures have been simplified and rationalized. In the word of business and industry also, far reaching changes have taken place. The commercial and industrial undertakings have grown in size and nature and are now presenting problems which are not altogether dissimilar to the problems in the field of public administration. Thus, any new development in the field of organised activity, business or industry cannot but have an impact on public administration. Similarly, the changes in the field of public administration would not leave business or industries untouched or unaffected. So far as administration and management go, the distinction between the administration and organisation of a large business concern and a Government department is neither fundamental nor absolute.

It is common knowledge that both in the field of administration as also management, the most important factor is the human factor. An organisation is what the man in charge of it makes it to be. Thus it is of the utmost importance to ensure that human talent is located, sharpened and put to service in the appropriate field to enable it to contribute its maximum to the development of the human society. The men must be trained and motivated to give their best to the organisation and do their utmost to achieve the objectives. The performance of the organisation as such, can thus be judged only if its objectives are properly defined and clearly understood. All efforts must be directed towards achieving all these objectives and goals. A constant shift in empasis resulting from changes in the contemparary scene must be taken note of and provided for by undertaking concurrent evaluation by devising suitable

training programmes and orientation courses to meet the requirements of an ever changing situation.

In the past few years a great deal of attention has been paid to the development of manpower resources. It has now come to be realized that the development of manpower resources is as important as the development of physical resources of an organistion. It is undoubtedly true that in this technological age, plant and equipment, suitable buildings to house them are of great importance, so are planning, production, control and cost accounting. However, all these would come to naught if the human factor were to be neglected. Though the technology may be complicated, the plant connot run on its own, it needs skilled personnel to run it. The physical resources can be easily located and are comparatively more susceptible to the known methods of selection and Control. On the contrary, the human meterial is more difficult to locate, far more difficult to understand and control. Thus, the increasing interest that is being taken in proper management methods is most welcome.

The concept of 'Management by Objectives' is currently very popular in the world of business administration. It is basically not a new idea, in fact the concept should be deemed to be as old as the human society.' It has only been systematized recently and organized into a regular sub-discipline. As pointed out by one of the recent writers, management by objectives is a modern translation of the old maxim :—" plan your work, then work your plan". The most important thing therefore is the setting up of the objective towards which we may plan. One must set the sights on the planned objective and then shoot on to the target. The sights may have to be changed frequently since we are dealing with moving targets. Thus, the task of identifying the targets becomes the first important task of the managers and the administrators. The organisation will scarcely have one solitary aim. Though one of the aims might be so important as to stand out in bold relief. The objectives can be divided into physical targets and financial targets. In some areas of public sector like defence production, profit making would scarcely be an objective. However, the targets would still have to be set here in quantitative and qualitative terms. Our public sector undertakings are generally expected to show a profit, though here also the emphasis in some cases might be on providing services to the people. In the private sector, profit motive generally provides the motive force. However, since there is considerable overlapping between the public sector and the private sector, and there is also now the joint sector, many of the distinctions bet-

ween the various sectors of the economy get obliterated in this context. Thus, for the setting up of objectives for a given task, we would have many features that are common to the various sectors of the economy.

Once the objectives have been clearly defined and the mechanism perfected for a constant review, the stage is set for vigorous action to achieve the objectives. We must ensure that all persons engaged in these tasks are provided with all the facilities necessary for completing the task. These may include material resources and human resources. The factors may be both tangible and intangible. We should provide for recruitment of proper persons, motivation, and adequate counselling. There must be constant and effective control of performance. The work must be properly assigned and the responsibility of each and every person must be clearly defined. The output expected must also be fixed in precise terms and there must be quality check in all fields. If all these things are properly put into the management planning, supervision of an intimate nature becomes superfluous and it can be replaced by some form of formal guidance, without of course, disturbing the hierarchical structure.

Training of personnel is also an important management function. There must be some initial training, even at the stage of induction into the organisation. Training must aim at the development of all the faculties of the person with a view to secure maximum efficiency on the job. The performance on the job must, of course, be assessed all the time, but this is important in the initial stages so that the correctives can be applied in time. Later, training in technical fields at the appropriate stages would be both necessary and rewarding. Since interpersonal friction is one of the unfortunate besetting factors, retarding our progress in every field of organised activity, orientation courses are also necessary. The duration of a training programme must be regulated with reference to the needs of the organisation. In certain fields where tasks are generally of a repetitive eharacter, even 'overlearning' can be put into practice without fear of criticism that it is a wastful practice. The nature of training to be given would vary as the person concerned progresses in the organisation. Later in life, it is the managerial component which becomes more and more important, though of course the technical component can at no stage be given the go by. It is highly desirable to be pragmatic in one's objective towards these problems. The effectiveness of the training programme in promoting the main objectives of the organisation must be constantly done. Training is not merely

an academic exercise but it is a necessary management practice.

Thus, the modern concept of management by objectives, is of the utmost importance in the modern society. I have no doubt that if proper management practices and administrative procedures are adopted they would improve the vitality and utility of all types of organisations.

I have great pleasure in inagurating the seminar organized by the Indian Institute of Public Administration on 'Management by Objectives'. I hope the participants will come up with new ideas which would be of immediate practical application both in the field of public administration and business management. I wish the Seminar all success in its endeavour to focus attention on this very important topie of the day.

"MANAGEMENT BY OBJECTIVES"

(Background paper by Thiru H. K. GHAZI, I.A.S.)

The Management by Objectives is by no means an entirely new concept. Ever since there has been organised development in the field of business or administration, objectives have been set and conscious attempts made to achieve them. However, in the recent past, the whole thing has been greatly systematised and almost made into separate discipline.

The most important task that has to be undertaken initially is that of the clarification of one's own thoughts. This would amount to setting of objectives in very clear and preciseterms. The objectives can generally be split up into long-term objectives and short-term objectives. The two can be identified after a detailed and critical analysis of the expectations of the management or administration and the extent to which the external environment impinges itself upon them. After the objectives have been defined, the terms or units which are immediately and intimately involved in atcual execution of the tasks have to get going. It is the duty of the managers and administrators to ensure that each and every person knows the short-term and longterm objectives of the company of the administration. He should also be told what exact items of work have been assigned to him and in what manner they form a part of the whole. He should also be given a sense of personal involvement in the immediate and the ultimate objectives of the company or the administration. He should be properly motivated, adequately trained and continually developed to give a better performance. In the dynamic world of administration and business, this has got to be a continuous process.

At the same time, some one has to be making a continuous assessment of the efforts put in and the results derived with a view to suggest ways and means of improving the performance in the light of actual achievements. The results of such evaluation cannot, of course remain a theoretical exercise. The results must be fed back to the performers in the executive field with a view to achieve accelerated development.

SETTING OF OBJECTIVES

The adminirtration is by no means without aims just as business is not without its objectives. In the field of business, increase in profits, increase in sales, greater production, encou-

ragement of purposeful research are all very important objectives. They are an integral part of the business set up. In Public Sector undertakings also, these considerations have to be constantly kept in mind, though the overall national objectives may eclipse all other considerations if one is not compatible with the other. Most private companies, public sector undertakings and administrative units do this exercise regularly to find out what progress has been made by them towards achieving the targets which had been set for them and towards which they should constantly be working. They have to prepare forward plans to achieve the results. When concrete objectives have been set, one should not look vaguely into the future philosophising above its proverbial unpredictability but make definite plans for the future treating it as something which can be shaped by the present. Barring totally unforeseen factors, the planning for the future is a highly rewarding exercise. While planning, one should not miss the wood for the trees. There is no need to get bogged down by details or get entrapped in a mass of irrelevant details. The basic objectives are really the important ones and must at no time be jettisoned. While setting objectives one must take note of the following factors :—

(1) the personnel available

(2) the resources available

(3) the opportunities available

(4) the possible constraints and the alternatives available.

(5) the training of personnel, and

(6) the constant evaluation of the aims and the means.

While doing this exercise one must not ignore inherent weaknesses. These may later cause serious problems if they are not taken note of in the initial stages. The chief executive would naturally have a more intimate knowledge of the organisation of the company or the administrative unit if the size is somewhat small. However, in a huge concern, the top people in the field of administration or management can only take a overall view. Size is thus an important limiting factor and one must be constantly conscious of this limitation. The collection of information for planning must be done in a uniform manner to ensure economy and to avoid coufusion.

The use of standardised forms and procedures is a directed result of these considerations. The financial provisions too, are by no means unrelated to the objectives. Indeed the two are very intimately connected. The financial provisions also provide a standard for the evaluation of the aims and objects and later serve as the criterion for the assesment of achievements.

During the process of planning, three important steps have to be taken :—

(1) Data collection

(2) Data interpretation

(3) Clarification of objectives.

It is simply impossible to start any commercial or industrial venture in any sector of the economy without ascertaining certain basic facts about the need for the venture, about the raw materials, the framework of the organisation, personnel and finally the business outlet. The essential facts must, of course, be gathered and processed. The interpretation of data is an equally important task. The importance of the facts collected must be fully grasped and the priorities determined. The interpretation of data becomes all the more important in administration or in companies which are doing extremely well. Paradoxically as it may sound, the statement is nevertheless true. Complacency is one of the unfortunate products of success. It should therefore be guarded against. Of course, one should not go to the other extreme for it is equally dangerous to be over-introspective. One should strike a path which would be a via media between the two. The third important thing is the clarification of obijctives. In a business concern, the profit is generally the most important objective, However, it is by no means the sole objcetive. Indeed, it is not even possible to make profit without taking note of a variety of other factors. The objectives that have to be taken note of are :—

(a) Economic objectives aimed at increasing the profit to the maximum extent possible.

(b) Social objectives which are non-economic objectives and depend upon the social commitment of the participants of the commercial or industrial unit.

(c) Inter-action of economic and social objectives producing constraints and responsibilities.

Improving The Management Performance

A plan by itself would serve no purpose unless it is actually put into action. This has to be done under the directions of the managers or administrators. The ability, the vision and the enthusiasm of these persons would largely determine the performance of a company or an administrative unit. In order to achieve this, three things have to be done :—

(1) Each manager must be told What his assignment is.

(2) There must be close supervision.

(3) The managers and administrators must be continually trained and given proper orientation.

Wherever these three things have been done, it has been found that performance has improved greatly. In recent times, the "key result" in performance standards approach has been evolved. It consists of :—

(i) the formulation of a job improvement plan for each and every person ;

(ii) improvement in organisational structure allowing for greater individual freedom and flexibility in operation ;

(iii) management control information in a suitable form for collecting data with a view to have effective self-control and quicker decision-making ;

(iv) evolution of team spirit and corporate purpose with a view to eliminate inter-personnel friction ;

(v) systematic performance review to ensure effective evaluation of the tasks performed ;

(vi) development of training plans for eliminating weaknesses and builiding up strength; and

(vii) strengthening motivation by having proper personnel policies.

The management development programmes often fail because the aims of the managers and the administrators are not made to coincide with the aims and objcetives of the administrative unit or the company. There is also too much emphasis on personality traits and too little on performance. In fact the persons who are on the spot generally prefer one who achieve the results rather than some one who may theoretically satisfy the rating standards. Personality is no doubt an important consideration. However, what is more important is the use a man makes of his personality to secure results. It is also quite wrong to rely on inhuman and mechanical procedures regardless of the human factors. All members of the staff must be made to feel that they are personally involed in the tasks of the administrative unit or the company. It is administratively wrong to dissociate those actually on the jobs from the task of supervision and direction. A personnel Cell can certainly help those actually engaged in the various tasks in counselling the managers and administrators. However, it is not proper to take away staff control and development from the persons actually working on the job. This breeds indiscipline and results in poorer performance. The administrator and the top manager must be told what exactly is expected of him. If there is any shift in emphasis either on objectives or in the means to achieve the objectives, the administrator and the manager must be immediately informed of it. The work of the manager and the administrator must be subjected to a critical analyis by those who lay down the policies. The administrators and managers must evolve performance standards and make both qualitative and quantitative measurements to find out whether things are going well. They must look to the following four factors while making an assessment of all productive effort ;

1. Quantity
2. Quality
3. Time
4. Cost

One should make a comprehensive analysis on the basis of these four factors without being over-elaborate.

TRAINING

Training is a method by which we can re-fashion and improve human responses to any set of given stimuli. In the field of management and administration, training would naturally be intimately related to the objectives of the administrative unit or the company. The training needs must be identified and a training programme drawn up accordingly. The duration and the intensity of training will vary from one administrative unit and to another and in some cases even from person to person. The extent to which a person can derive benefit from training would naturally depend upon his own potential, Attempts must be made to improve the conceptual skills, technical skills and the inter-personal skills of the employees. The members of the staff must be constantly exposed to newer and better techniques. Their knowledge must also be up-dated by lectures, discussions and other training programmes. The retults of the training must be subjected to constant evaluation and the course content, its duration and even the composition of the faculty must be changed on the basis of the facts which may emerge from such evaluation. An attempt must be made to involve the top administrators and managers in training programmes. If this is not done, they would continue to be back numbers. Often times extremely useful traning programmes and management courses bear no fruit because the trainees themselves feel utterely lost for lack of appreciation of the value of training effort by men at the top. Training must not be considered in isolation. Training must be integrated with the process of performance improvement if it is to be really useful.

CONCLUSION

Management by objectives is both a concept and a technique. It is an extremely useful tool in the hands of forward looking and dedicated managers and administrators. It should therefore be increasingly pressed into service in achieving greater success both in the field of administration and management.

MANAGEMENT AND OBJECTIVES

(Background paper by Thiru S. NARAYAN, I.A.S.)

M. B. O. In Government

The concept of MBO was enunciated by Drucker in his Book "The practices of Management" in 1954, though it was only in 1964, in the book 'Managing for Results' that he gave substance to this concept. Today MBO is installed in numerous private companies and its premises are familar to most business managements. The strength of these premises lies in their simplicity ;

(a) The greater the idea of what one wants to accompolish, the greater the chances of accomplishing it,

(b) Real progress can be measured only in relation to what one is trying to make progress towards,

In other words knowledge of objectives makes their accomplishment easier and quicker, and also estimable once the objectives are accomplished.

2. In the public sector as well as in the Government executives have long realised the need for more effective management, but for the most part they have failed to develop and implement systems such as MBO. There are some problems unique to the governmental sector which must be overcome before MBO can put to use effectively, These include

(a) defining, objectives

(b) measuring benefits and

(c) the operating cycles.

3. In the private sector or organisation the primary objective is maximising return on investment. Corporate growth, development of new products and markets, welfare activities, managerial succession etc are all sub objectives to this main objective. Therefore, it is possible to translate these sub objectives in terms of the primary objective and to set tasks of varied degrees of complexity to various levels of the organisation and to measure performance and give rewards against the back-drop of these objectives. In government, there is no such single return on investment objective available. Various departments of Government may be working with various different objectives in view some may be welfare oriented, some may be growth oriented and some may merely be control oriented. Objectives

also may vary from period to period for example, public sector industry may switchover from a prime objective of return-on-investment to a prime objective of maximising employment potential at a lower rate of return. Various attempts have been made to quantify in money terms the costs and benefits of these objectives, but these processes, atbest are only doubtful estimates For example, in arriving at objectives for putting up an irrigation dam, various social costs and social benefits have to be considered which may not be quantifiable to any extent. It is true that investment decisions, even in Government, are taken on the basis of these costs and benefits but the selection of objectives is often very difficult problems in government. The five year plans, to some extent, provide a perspective for deciding objectives, but interse priorites often vary even during a period of a single five year plan

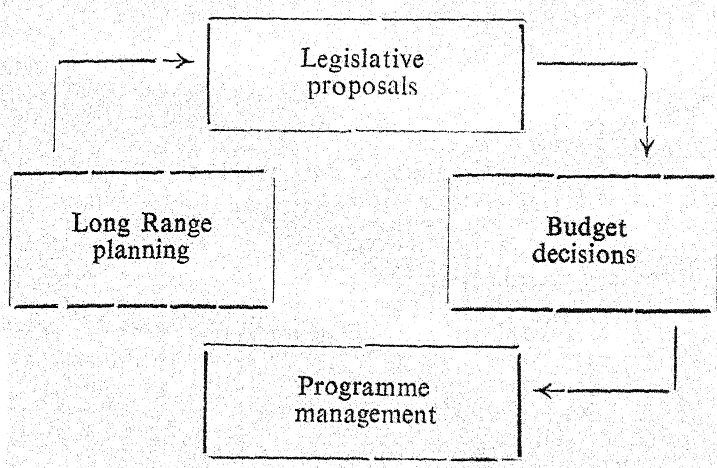
4. Arising out of this directly, is the difficulty in measuring benefits. The cost of edueation can be worked out but the "profitablity" of this service to society is not measurable since there is no single criterian for success when the benefit gained is in terms of newly unleashed human potential.

5. The operating cycle in Governmental agencies is usually short, coinciding with a annual budget, Long-range goals are often upset for the following reasons :

(a) A high rate of turnover among top level; decision making personnel is characteristic of government departments ;

(b) Objectives set by public sector managers in today's political setting may be deemed inadequate in tomorrow's political setting.

6. In the figure below is normal operating cycle in Government is illustrated :



The Chief difficulties in this are :—

(a) there is no adequate provision for stating programme objectives that are the basis of specific, measurable results and.

(b) there is no formal mechanism to ensure a continuing dialogue between program managers and policy workers regarding problems and successes encountered during implementation. Thus there is both a lack of information for policy developers and lack of guidance for managers.

For the identification of objectives the following procedure is suggested :—

1. The initial proposals may be employed as a starting point, and a decision on what the department has to accomplish during the coming year and how these short-range goals will contribute to long-range goals is taken.

2. At the budgetary stage itself, by associating the program managers, priorities as between the identified objectives can be set out, typically selecting 8 to 10 most important results expected of their respective program.

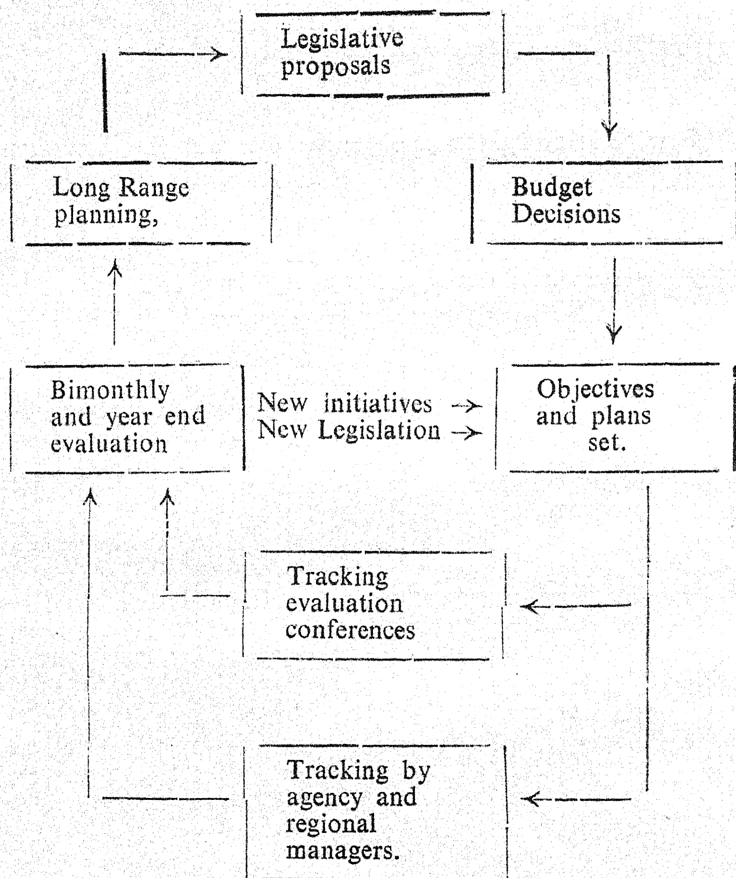
3. The program managers should submit, before start of the fiscal year, outlines of milestones that must be reached over various points of time during the year and the money that must be expended for their accomplishment.

4. From this list the policy maker (say the secretary) should select those that he will personally track. He has also the option of adding other objectives to the departments lists.

7. It is obvious, that the most important aspect of the program is association of the program managers with the policy makers at every step so that objectives reached are common objectives and not those imposed from above or pressed from below. Participation in the keystone to the success of this program. Once the objectives are set out, monitoring progress

is comparatively an easy task. Even the standard management conferences and review meetings are quite sufficient to see that the programs are proceeding as per the objectives.

8. The proposed cycle with MBO is given in the figure below :—



9. A difficulty with, MBO where it has been implemented in Government departments, is due most officers having viewed their roles as principally involving policy making, development of legislation and defence of their budget requests. The intricacies

of formalised management planning and control have taken a secondary role to these other functions too often top level management have become preoccupied with handling crises in their agencies and have dealt with management issues of on an *ad hoc* rather than an anticipatory, results-oriented basis.

10. Application of these techniuqes will certainly improve effectiveness of programmes in Government. Of course, this in no way covers up defects of the MBO system itself. This is, that MBO system envisages result-oriented rewards and therefore assessment can be made only with reference to objectives set. In regard to personnel assessment there are several aspects which would not get covered in the MBO system. An individual may be performing tasks where there may be only indirect contribution to the objective realised. Apportionment of rewards between these people and actual program managers will be often difficult. Also, other characteristics of managers like motivation, attitude, leadership etc., cannot be evaluated directly by the MBO system. This is the reason why the MBO system is fast going out as a managerial tool in the west and is in vogue only in production and marketing activity centres where the evolution can be more direct.

MANAGEMENT BY OBJECTIVES

PROBLEMS AND DIFFICULTIES IN THE IMPLEMENTATION OF M.B.O. A CASE STUDY. By

Thiru R. BAKTHA. O & M OFFICER THE K.C.P, LTD.,

INTRODUCTION :—

This paper deals with the problems and difficulties experienced during the introduction and operation of an M.B.O. scheme in one of the Engineering units in U.K. (with which I was associated at that time).

The proposal to start on "Management by Objectives" was made sometime in 1966 by the Managing Director, on his return from the States, after attending a Management Development, programme there. After a decision by the local Board, one of the leading consultants was given this assignment. The management also released two of its middle management staff to work with them.

During the introduction/initial operation, a number of problems arose - some of them outside the control of management - undermining the confidence and at the end management dropped the M.B.O. quietly.

This experience, it is believed, will help the participants of this seminar to appreciate the difficulties and to plan effective safeguards during such an introduction.

MANAGERIAL COMMITMENT :—

It was felt that there were not enough discussions or appreciation of the difficulties involved by introduction of M B.O. Even though some of the functional directors had misgivings and reservations privately; they accepted the proposal without really getting convinced about its impact. The organisation itself was not ready for such an introduction. It had considerable problems, particularly in the areas of marketting and raw materials.

An M.B.O. programme is bound to fail unless the company's top executives are ready to spend time and efforts,

particularly in corporate planning. It is also important that managers should be familiar with M.B.O.

In this case, many of the managers, particularly from shop floor, who had reached their status by their long and loyal working for the organisation rather than due to their modern management back-ground, did not get a full appreciation. However, they were willing to go with it, under the pressure of their directors. Their co-operation was generally lukewarm and targets set by them were either too high or unrealistic in terms of the company situation.

STANDARDS :

The standards, from experience, were found to be too high in many areas. The manpower constraints had not been considered in many cases. Being an average employer in the area getting suitably experienced people was all the time a problem. In many cases, the standards were set and agreed at the Managers level, without the knowledge and consultation of people in the department. They were not aware of what was expected from them.

ORGANISATION STRUCTURE :

An effective organisation structure is essential, if the objectives are to be set realistically and achieved effectively. As the case with many organisations, our organigation structure was not clear. There was some amount of overlapping of functions and responsibilities. Even though some attempts were made to rationalise during the introduction, the precedence or "assumed" organisation continued to exist. About 3 years after the abandoning of the MBO. we went through an exercise on streamlining the organisation A Job Evaluation/Manpower assessment exercise was also undertaken. I feel that, if these areas had been tackled earlier before the introduction of MBO. we would have gone a long way. While it is appreciated that in a growing organisation, organisational inadequacies will exist and could be resolved during the process. I feel that the basic definitions are essential for starting on MBO.

Having more than one boss or two many subordinates could result in lack of coordination. Uncoordinated planning may in turn, lead to diametrically opposed goals.

EXTERNAL CONSTRAINTS :

There were external constraints - over which the company did not have any control-having adverse effects :

(a) *Market* : The products manufactured were for some specific industries. The home demand for them was minimal and therefore, the company had to go for ex-ports in a large way. Even in the case of home market, the market was highly unstable and was drastically getting affected by the Government polices on Public Spending. On the export market, the competition was severe, particularly from Western Europe. With the inflation and high costs of manufacture in U.K., the prices were not attractive to overseas customers.

(b) *Raw Meterials* :—The imported supply of raw materials was getting affceted due to frequently industrial situation in countries like Canada. The company was under serious trouble with falling orders and shortage of materials. They had to resort to short time work to overcome these problems often.

These resulted in forced changes in the companys corporate plans and drastic changes had to be made in the over all company targets. Some of the drastic decisions taken included:

(a) modifications in product changes/methods of manufacture.

(b) closing down of one of the production units and centralising all the production facilities in one area.

(c) Reductions in manpower.

These decisions were taken more or less at the same time, as the MBO was being introduced. The changes required in the standards/objectives were too complex, due to the impact of these decisions.

In addition, the company had to face the constraints placed on it at the group level, as part of an Engineering Group.

ADVISOR :

With all the problems, confronting the Management. it lost its interest in M. B. O. One of the staff given to the Consultants to work with them was withdrawn and a new staff adviser was appointed for follow-up He did not have much contact with the consultatnts. He was new to the organisation and contacts with the Managers were limited. Getting to know the people was his first job, which took considerable time at the crucial time. We believed that he lacked the necessary personal qualities also, for doing this job. At the end, he was ineffective and could not contribute in any way.

With the apathy all around, the MBO was allowed to die a natural death. Still some of the committed managers used the standards for objective assessment of their performance and making improvements for sometime to come.

CONCLUSIONS:

This real case study highlights the difficulties in the application of MBO. Right from the beginning, the organisation was not ready yet. The basic problems should have been sorted out before attempting M. B. O. Unfortunately the management felt that the MBO will solve all their problems, particularly profitability, and the rate of return on investment. The management was hasty and went about it in a wrong way. At the end. the scheme collapsed and time and resources spent over a period of few months ended in waste.

There are other specific problems to be faced by the civil service and I end this paper with the following comments in this respect from the book; "Questions and Answers on M. B. O. By Jerome O'Hea."

(a) The Civil Service is often dealing with value judgments rather than profit objectives.

(b) The danger of emphasising quantity at the expense of quality.

(c) The parliamentary accountability pulls in the direction of centralisation whereas MBO, with its emphasis on managerial accountability with delegation of authority, pulls in the opposite direction.

MANAGEMENT BY OBJECTIVES APPLIED TO CAPITAL BUDGETTING

By

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Executive Director

Modern Management Counsel (Madras.)

FUNCTIONS OF MANAGEMENT :

The functions of management can be characterised as:—

Planning

Organising

Motivating and

Controlling,

The share of different levels of management in the above functions is clearly depicted in Exhibit I, from which it may be noted that the Top Management has a predominent share of the planning function.

The process of corporate planning consists of an attempt to state explicitly requirements for future corporate performance and where possible to quantify these requirements. Planning is used here in a broader term than budgetting, and includes efforts, however informal, to establish goals or targets for performance in any field of business activity. And business activity stems from a commitment to the economic motives of the organisation, in terms of profitability and growth.

MANAGEMENT BY OBJECTIVES AND RESULTS (MOR)

The approach to these goals or target setting has in recent years been systematised and is known as "Management by Objectives and Results (MOR). In brief, MOR is a typical professional approach to management with primary emphasis on the management functions of planning and controlling. It is designed to determine :

1. What must be done.
2. How it must be done.

3. When it must be done.
4. How much it will cost.
5. What constitutes satisfactory performance.
6. How much progress is being achieved.
7. When and how to take corrective action.

The above approach to management involves a series of specific steps, such as defining roles and missions, forecasting, setting objectives, programming, scheduling, budgeting, measuring performance etc. For our purpose we will concentrate on the process of "setting objectives", its relevance and application to Capital Budgeting.

Setting Objectives:

The setting of objectives is perhaps the most critical activity in the MOR process. Objectives form the basis for determining what activities should be peformed and also establish criteria for evaluating how well they have been performed. Thus, the process of setting objectives necessarily involves identifying and determining the objectives.

In identifying objectives a manager has to take into consideration his total job expectations arising from his functional commitment. This means that the objectives he prepares should reflect his normal work output as well as any new innovative type of activities he considers desirable. In doing this, although the primary purpose of an objective is to serve as a working tool, more often than not, managers tend to use it to impress top management and come to limelight. Apart from this, there can be a tendency to identify more objectives than can reasonably be accomplished withln the available resources. Any thing can be objectified right from keeping the window glass panes clean to eliminating excess inventories or book debts. A serious minded professional-acting manager will put into objective only those work activities which by so doing, will give him better visibility, lead to more efficient and effctive production, and make his job easier and more satisfying. Invariably, this results in conflicting claims for allocation of resources from different functional managers. The task of assigning priority, therefore, forms an integral part of setting objectives and falls to the lot of top management who have the ultimate responsibility for planning. What is a sensible approach to meet this challenge is

no doubt a vital question but before answering it one may as well understand its critical importance from the point of capital budgeting.

Capital Budgeting :

An investment decision is essentially a largely irreversible commitment of resources made in the expectation of securing somewhat uncertain future gains. Within the frame work of this definition, investing in short-dated government securities is not an investment decision since the risk is negligible and the investment can be rewarded immediately by selling the securities without much loss. Investing in plant or buildings, however, is an investment decision because it cannot usually be easily reversed, that is, the capital cannot be recovered without incurring significant losses when the...assets are sold or converted to other uses. Moreover, the expected return from the investment is generally subject to a significant degree of risk.

The twin characteristics of irreversibility and risk give rise to the critical importance of capital budgeting in the management of a company. With the growing complexity and highly specific character of modern production and marketing methods investment decisions are becoming more irreversible, Thus investment decisions are increasingly determining the direction and pace of a company's future growth and limit the opportunities open to it in much the same way that the tracks determine the speed and directions open to a locomotive. This and the increasingly capital intensive nature of modern production methods necessitate careful selection of the methods to be used for investment appraisals, decisions, and allocation of resources.

Allocation of financial resources to meet carefully wetted investment proposals and exercising effective control thereof is usually done through a system of "capital budgeting". Effective budgeting involves getting the best mileage out of the limited resources available and the budgeting system is necessarily interwoven through cash forecasting and programming viz. planning the necessary steps and the calender time required to complete each step. The process becomes quite complex in the case of capital expenditure proposals involving large financial commitment and more than a calender year to complete.

Well managed companies, therefore, resort to long-term planning and forecasts covering a period of atleast five years and

the forecasts take into account finance required for replacement additions to facilities either for maintaining or augmenting revenue besides attendant requirements of working capital. This type of long term forecast reflects the parameters of internal generation of funds and borrowings and enable the top management to visualise the investible funds during each financial year. The Capital Budget for any year is necessarily within this limit.

Budgetary Allocation and Determining Objectives :

Capital budgeting being essentially a matter of allocation of financial resources of the company, involves the question of assigning priority which cannot be decided without certain logic. What is this logic? As stated earlier, because assigning priority is an integral part of setting objectives, it is necessarily linked to the approach for determining objectives.

One approach to determining objectives includes two types of and three general routes of analysis. (Exhibit 2) It must be emphasised here that these are not categories of objectives themselves. but a means of determining what the objectives should be. Whatever may be the approach, the end results should be achievable and measurable objectives.

The first type of analysis is "Production Analysis" which leads to examination of (1) Normal Work Output. The second type, "Improvement Analysis" leads to examination of (2) Normal Work Output Improvements and (3) Personal or Organisational Capability Improvements i.e. ways of making the Unit more competitive.

Normal Work Output would encompass the steady state Units of Production (products or services) provided by the functional Manager for which there is a reasonbly standard procedure or specification. A typical example of actual objective determined by this route would be "to produce pressed components acceptable to DEM/using departments within contract specification (quality, quantity, time cost) with a descrepancy rate not exceeding x% during 1974".

Normal Work Output Improvements establish objectives to achieve significant innovations, break-throughs or new developments related to units of production that are over and above

what can be considered as Normal Work Output (using current methods, process, equipment and materials). Examples :

—to reduce discrepancy to x% by October, 1974 with no increase in established budget.

—to develop preventive maintenance practices which will reduce lost time to a maximum 10% per each machine.

Personnel or Organisational Capability Improvements will include objectives that may not relate specifically to production units but should result in efficiency and effectiveness, ability to take on new and different assignments, improved working environment and greater versatility, Examples :

—to develop and implement a job rotation and trainning programme that will assure that each salaried specialist in the unit understands and can reasonably perform the assignments of any other such specialist by (date) within current budget.

—to achieve a sumittal of atleast 2 import substitution items with an estimated annual savings of Rs. 2 lakhs.

As already-mentioned, the end result of this analysis should be a list of objective covering the Manager's planned accom. plishments, regardless of the route which may have been followed For instance, an objective to produce x units by December 1974 at a cost not exceeding Rs. Y could, conceivably, incorporate all the three routes. In other words, it could represent the product or services that make up the organisation's Normal Work Output plus a significant improvement requiring a change in method and a substantially broadened organisational capability.

Setting Priorities On Objectives :

The above types of analysis cannot by themselves lead to a list of "selected Objectives" for inclusion in the Capital Budget. A simple step in establishing priority is to separate objectives into three broad groupings. They are -

A "*Got-to-do's*" which are basic to the survival of the organisation.

B *" Ought-to-do's"* which are necessary for improved preformance, and.

C *" Nicc-to-do's "* which are highly desirable for improved peformance but which, if necessary, could be eliminated/postponed/scheduled as " down time " effort.

While highest priority is accorded to " A " lesser priority is given to " B " and least priority to " C ". In other words, it is some kind of A-B-C- Analysis.

A simple post grouping method of determining, final priorities is to list them in descending order of importance with a line drawn under those for which a firm commitment is to be made on the basis of anticipated resources. The remaining objectives fall below the line " and are to be pursued when sufficient resources become available or when changed circumstances warrant priority trade-offs within available resources.

Given the best method of planning, forecasting and setting objectives, ' ad hoc ' rush capital expenditure proposals and consequent re-arrangement or modifieation of prorities become unavoidable at times, and the company has to follow the " total objective or total expectation " concept. To mitigate the incidence and hardship of such alternations, it is recommended that a blanket provison in the Capital Budget be made for such contingencies.

Summary:

This article has not attempted to deal in expertly manner the process of "Management by Objectives and Results ('MOR)" in its widest ramifications. All that it does is to acknowledge that without the objective-setting process a competent manager and his organisation cannot peform business activities with a clear-out direction, and accepting this as a basic managerial requirement, the author has attempted to establish a thesis that " once the objectives are clearly derived, properly grouped, and analysed as to their legitimate priority, the top management can act on principled ground instead of being a mere arbitrator

concerning allocation of financial resources to meet capital expenditure ".

Acknowledgements :

MOR - An overview by G. L. Morrisey, MOR Associates California.

An Objective is an Objective by G. L. Morrisey & J. W. Rush.

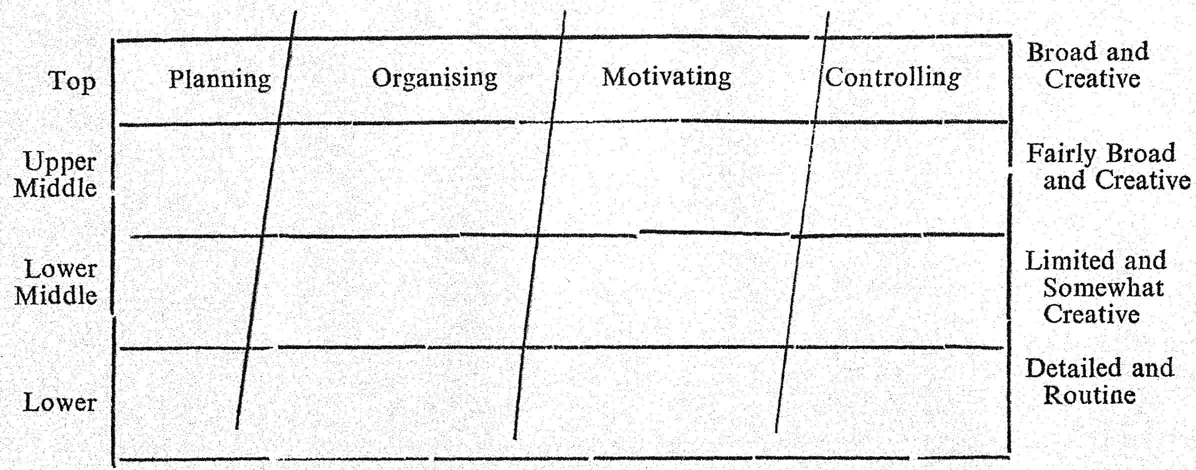
Capital Budgeting & Company Finance—A.J. Merret & Allen Sykes (Longman).

Exhibit : I

FUNCTIONS OF MANAGEMENT AT DIFFERENT LEVELS

LEVEL OF MANAGEMENT

MANAGEMENT CHARACTERISED BY BEING



Corporate Organisational Roll/Mission

↓

Economic Objectives - Profitability & Growth

↓

Production Analysis	Improvement Analysis	
Normal Output	**Normal Output Improvements**	**Organisational Capability Improvements**
a) What produtcs as steady output?	a) What products as steady output?	a) What are current capabilities?
b) In what measurable units?	b) Areas where improvement necessary or desirable?	b) What capability improvements or new capabilities desirable for overall benefit?
c) How many such Units required during forecast period?	c) How much realistic improvements achievable during fore cast period?	c) How much realistic improment achievable during forecast period?

↓

Objectives

↓

Priority Grouping/Tests

A. "Got-to-dos" – is it basic to the survival of the organisation?

B. "Ought-to-dos" – is it necessary for improved performance?

C. "Nice-to-dos" – may be desirable but could it be eliminated/postponed/scheduled as "Down time" effort for the present?

↓

Selected Objectives

MANAGEMENT BY OBJECTIVES: COMMUNICATION

By

Thiru V. RAMAMURTHY, I. A. S.,

(Managing Director, Tamilnadu Agro Industries Corporation Ltd.,)

The growing size and complexity of administration in a modern welfare State, not to speak of the diverse roles and functions it involves, has led to a constant search in recent times for better tools to improve the efficiency of the function. Professional administrators have started looking to the large experience and literature of business management in an attempt to learn techniques that would help to improve their own performance progressively. The interest in Management By Objectives evidenced by this seminar is but one more indication of the trend.

In a sense Management By Objectives is the heart and the whole of all management endeavour It is not possible to manage any function without setting objectives, communicating them to the personnel who are expected to achieve them, measuring the degree of performance against expected norms and taking steps to improve performance and/or modify objectives in the light of the experience gained. This in essence is MBO.

Needless to say, the most vital aspect of any management, and of MBO in particular, is communication. The setting of objectives, their description in understandble form and content to the personnel concerned and getting the willing cooperation and acceptance of the staff are all essentially communication functions in living action. The introduction of MBO in many organisation is frequently and not surprisingly accompanied by moments of uneasy discovery as to how little the members of organisation as a team, know of the organisation's objectives in the large, and of their own individual contributions in particular necessary to achieve the organisational goals. The MBO adviser is strongly and uncomfortably reminded of the classic story of two lumbermen working on either side of a huge 6.foot high log and failing to move it, simply because they were all the time pushing against each other. Here was a failure of communication that resulted simply because the existence of the need for communication and itself not been recognised !

Like the activity and function of traffic in a city area the activity of communication also has its own danger zones. Like the

tendency to drowse or fall asleep while driving a car the tendency to say nothing and take the understanding of others for granted is equally hazardous. The risks of such carelessness are well illustrated by the husband and wife in the story who had an old lady stay with them for twenty years not quite knowing who she was at all. If the story amuses, the consequences of such silent misuunderstandings can be quite grave in reality. A laughable matter is not always just laughable.

When MBO was introduced for the first time in TAI there were surprises in store care for the top management. Field Officers in-charge of TAI's Area Service Centres who had been drawn on deputation from the State Governments Department: were taken aback when they were told that the Corporation, as a commercial venture, was expected to make profits and that their suggestion for utilisation of men, materials and machinery should be governed by this consideration. That they should be so surprised was an eyeopener to the head office from where financial control is being exercised over the organisation. Some things were out of joint somewhere because someone somehow had not noticed the need for communicating even such a fundamental point but had simply assumed it was known.

The adaptation of MBO to governmental administration is no easy task. To the extent that all management believes and professes itself to being management by objectives and to the extent that administration is largely a managerial function, MBO should no unknown or strange commodity in administration But whether the setting of clearly formulated and the realisable objectives, the communication of these in unambiguous terms to all personnel down and across the line, the measurement of performance by accepted standards and the securing of commitment to perform to standards towards achieving the given objectives or all another set of very intractable questions indeed.

Translating the programmes of a political party into specific and objectives of welfare and regulation for the community has its own pitfalls. Achieving a compromise between the professed objectives of the platform and those actually desired by the political executive is not a task of easy achievement, and even in respect of the clearly understood objectives, achieving agreement on the means by which those objectives are to be realised can well be an administrator's nightmare. Put these facts together and regard the totality of them in the context of

the basic concept of democracy. namely, accountability, and some idea will emerge of the enormous difficulties involved in satisfactorily adopting MBO to the frame-work of public administration in a democratic state.

All this is not to say that MBO will not be suitable or possible in public administration. But public administration is a term connoting such a vast and complex field that no rash judgements can or should be made. MBO will definitely have its value in the commercial undertakings of Government, or in the projects administered by the State. But to secure for it greater scope and more effective utility will call for sounder understanding of the management process itself by the political executive and by the people themselves who choose the political executive to be incharge of their interests from time to time.

And, what is education if it is not programmed communication ?

OBJECTIVE-SETTING UNDER MBO

Paper presented by T, Ramappa, Tube Investments of India Ltd., at the Seminar on MBO, conducted by the Indian Institute of Public Administration and Madras Productivity Council, on April 30, 1974.

Objectives are the first major step in managing for results; they define the direction and scope of improvement in results to be achieved, at an agreed cost. The other steps are organising and motivating for, and controlling results.

Two aspects to objective-setting are the process and the content of an objective.

We may take up first, objective-setting at the organisation level, for the reason that individual objectives to be worthwhile as contributing to organisation results, are to be derived from the organisation objective.

Pre-requisite to setting realistic objectives is the collection of objective evidence on the "as is" position of the organisation in all the vital areas of its business, which will show its strength and weaknesses. Then in the light of external opportunities and threats, and the resources that can be mobilised, the organisation spells out its objective-the declaration of its intent to achieve specified results in specific areas. So much for process.

To be useful as an operational guide to functions and departments below, the organisation objective ought to be specific and measurable. Towards pursuing long-term growth, it should reflect emphasis on change and the future. Organisation objectives should be so set that they ensure an integration of its short-term and long-term needs. Over-concentration on certain areas alone is to be avoided.

Once functional/departmental objectives are established, the departmental head ensures alignment of jobs, agrees with indivi-

dual managers on their objectives and ensures their alignment also. The responsibility for developing the objective is that of the individual manager, though the departmental head may modify it to import an element of "stretch", or change its priority.

Responsibility apart, the agreement session between a manager and his superior requires the "participation" of the manager. If a manager is to feel committed to achieving his objectives, the least one can do is to ensure that there is no appearance of anyone handing down objectives to him. The superior may indicate the area of discretion for the subordinate manager by explaining to him company policy, budgets, and plans, and invite him to set challenging objectives in the true spirit of MBO.

He also ensures that the objectives contain measurement criteria that render evaluation on objective evidence possible. Before agreeing to a manager's objective the superior should be satisfied that the level of the manager's motivation, skills and past performance lend hope to its achievement.

How to evaluate a subordinate's objectives :

1. does it represent a sufficient task for the manager during the measuring period ?

2. is it a practicable and attainable objective ?

3. is it clearly stated in terms of the task, the measuring period, the method of measuring to be used ?

4 is it compatible with the organisation's plans and overall objectives for the period ?

The manager has a duty to himself to indentify resources and constraints that would affect the achievement of his objectives. But before this, he should identify vital areas in his job where results must be improved, contributing to organisation results. The specific improvement he proposes to achieve over a period of time, at a cost, will be his objective. No manager who is aware of his place in a network will set objectives in isolation. He should ensure that an objective is supportive of those of the other members of his team.

Having set an objective, a manager reviews his progress towards its achievement and revises it as necessary, in agreement with his superior.

What objectives do :

show what is to be done and at what level ;

provide a basis for feedback and evaluation ;

provide for co-ordination and timing of individual, and unit activities ;

provide a basis for work-related rewards as opposed to personality-based systems :

emphasise change, and improvement.

MBO - IMPROVING MANAGER PERFORMANCE

by Thiru A. VENKATESWARAN,
(Tube Investment of India.)

Management by Objectives aims to improve business results through the co-ordinated and purposeful team effort by all the individuals in the organisation. It has been clearly established that when technological know-how economic resources etc. tend to be more or less equal among organisations, the one and only way through which one organisation can clearly achieve better business results than the rest is by promoting the effectiveness of the human resources in the organisation. This emphasises the need for Managerial effectiveness.

Managerial effectiveness is the extent to which a Manager achieves the results expected of him. The emphasis here, is on results not on activities.

Manager performance depends on the following factors on the part of the Manager.

—Knowledge of what is expected of him

—Opportunity to perform

—Knowledge of progress in achieving the expected results

—Functional guidance and support

— Reward according to results.

Effective utilisation of the organisation's managerial team requires fulfilment of the above said factors which are basic managerial needs.

In MBO we have the perfect answer to this aspect which if not fulfilled could harm the very existence of an organisation.

1. Knowledge of what is expected ?

It is essential that each member of the organisation understands the purpose of his job, the end results expected of him, within the overall frame work of the organisational purpose. Under MBO, every job holder develops his job description

stating the overall purpose of his job and the end results expected of him. This job description is discussed with his senior and an agreement is reached upon. This job description will give the job holder only a comprehensive picture of the job. His needs are more specific. He should have some measurable and varifiable goals which would help him to achieve the purpose of his job. It is in this regard that objective setting under MBO gains significance. The job holder analyses his job and identifies the significant areas in the job and then on the basis of an analysis of the present level of achievements and future requirements he develops verifiable, time bound and specific objectives which are statements of specific end results expected of the job. The objectives becomes guides to his plan of action and thus makes his plan purposeful.

Again, as part of his plan, the job holder breaks down the objectives further into specific Key Tasks with adequate performance standards. The performance Standards for each Key Tasks gives him an idea of what he should achieve in order to achieve his objectives as developed by him.

2. Opportunity to perform :

Having developed realistic objectives, the job holder must have the opportunity to put his plans into action. For this, steps should be taken up to ensure that the areas of responsibilities are clearly demarcated and that effective communication net-work is established. Under MBO, organisation Planning is a must, in which the organisational structure and practices are analysed in detail, alignment of jobs undertaken, information requirements of each job are identified and the necessary systems established. The responsibility for organisation planning rests with top management as well as on the various department heads. To establish effective communication, under MBO, the information requirements of all the jobs are identified and organised for.

3. Knowledge of progress in Performance :

Review of performance is essential so that individual and group efforts are constantly channelised as per plans to achieve the expected results. The job holder must know how well he is progressing in his endeavour to achieve the stated objectives.

Under MBO, this is done basically through self review, while developing Key Tasks and performance standards, the job

holder identifies information or data which would enable him to assess his own progress against the standards of performance he has developed. Also the performance of the job holder is reviewed by the job holder and his senior at a predetermined time.

4. Functional guidance and support :

Performance of an individual would depend on how well his skills, knowledge and abilities are developed. Management Development is a basic responsibility of a departmental or functional head. No developmental plans would obtain the expected results unless it is need based and purposeful. In this context, identification of individual developmental needs becomes a must. It is here that the significance of MBO becomes double folded and more pronounced:

In an MBO set up, the performance of an individual is thoroughly reviewed by the job holder and his senior. In this review, the constraints impeding the progress in performance are identified. The constraints could either be internal to the job holder or due to external factors. In case it is due to lack of skills and abilities on the part of the job holder, his senior plans for the training and development of the individual, so that these internal constraints are overcome. In case it is due to external factors, the job holder and his senior jointly take corrective action, either by re-organising their resources or by revising the plan of action.

5. Reward according to results :

MBO requires of the organisation to work out realistic salary and succession plans, which would motivate the Managers to improve their effectiveness and achieve better results. Though it is argued that a salary plan cannot and should not be linked directly to results, it is essential that organisations do not loose sight of the aspect of motivating their workforce with appropriate rewards.

By fulfilling the managerial needs for performance and effectiveness, organisations could integrate the needs of the individuals to contribute and develop themselves with the needs of the organisation for growth and profitability.

MANAGEMENT TRAINING UNDER M, B. O.

K. N. SRINIVASAN
(T. I. Cycles of India)

Organisations need to have systematic on-going management training plans that will ensure the up-dating and improving the knowledge and skills of their managers to meet problems caused by managerial turnover, and the growing rate of technological change.

Effective management development programmes ought to:

1. have an effective method of defining results managers are to achieve;
2. get managers continuously to improve their performance;
3. have a means of judging the performance of managers;
4. provide training for tommorrow's job as well as today's, at lower cost;
5. have a flexible succession plan for staffing the business in the future.

But there are programmes and programmes. The main reason for the failure of most programmes is their lack of integration with the total process of improving organisation results. Management development, to be purposeful, is to be used as a means to link individual and organisation performance.

The other reasons for the failure of many programmes are: a mechanistic approach to management development, lack of a planned approach to identifying men of potential in the organisation, handing over the responsibility for developing managers to specialist functions (Personnel, Training) etc.

So, an organisations management training plans, to be related to its results and to be developed on the basis of training needs ascertained through Performance Review, potential Review and on the basis of the organisation's future plans, changes in methods, technology etc. This is what MBO provides for.

The objective of Performance Review under MBO is to discuss and measure progress towards agreed results. In the review, the discussion should centre only around the achievement, of agreed Key Results, on the factors that blocked achivement and how they are to be removed. Discussions of the manager's personality, potential, salary review etc. have no place in the Performance Review. If periodic Performance Reviews disclose that the gap between required performance level and actual performance level is due to lack of required attitude, knowledge, skill in the manager, appropriate training will have to be recommended. The superior manager should ensure that the recommended action has been implemented and evaluate the effect, of training.

Managers who may have to hold Performance Reviews of their subordinate managers ought to receive training in holding them effectively. It would be too easy to overlook that the purpose of the Review is to identify blocks to achievement (they may be within the individual manager or they may be part of the organisation set-up) and help him overcome them. Managers, by their attitude, should disabuse their subordinates of any impression that Reviews are a form of disciplining them. The emphasis has to be on developing them.

Performance Reviews help in ascertaining training needs to help managers improve their *present* performance. Potential Review, held annually, will indicate the next higher job a manager may hold. Against the required attitude and know-how for that job, his present know-how and attitude will be evaluated, and to bridge gaps, if any, appropriate training will be arranged.

Potential Review will consider :

— present performance (unless this is very high there is little point in proceeding to consider a manager's potential);

— qualifications and knowledge the manager has, but are not used in his present job ;

— the limits of his intelligence and aptitudes ;

— the number of years he has to go to retirement ;

— the number and scope of vacancies and the number and qualities of other candidates available ;

Review of potential is subject to the severe limitation imposed by the superior manager's subjectivity. This can be offset to some extent by the check made by the superior manager's boss.

The third way through which real training need may be assessed are through an analysis of the requirements in attitude, skill, and knowledge, changes in the organisation's technolgy or methods would impose on its managers. Examples would be diversification, entry into a new market etc.

An organisation practising MBO could have purposeful training at economic cost, through systematic Performance Review, Potential Review and study of attitude and know how that would be required because of changes in technology and methods.

Training could be through any of the following methods depending upon individual requirements :

Job rotation, special projects, Committee memberships, work as understudy. But it is well to remember that it is on-the-job training that facilitates real development.

There should be a blend of internal and external courses, and to derive substantial benefits through outside courses, they are to be evaluated for their content, depth, faculty etc. and the manager nominated should have a clear idea of why he is going and what use he proposes to make of his experience. Poor follow-up on training efforts is an avoidable waste of scarce resources.

SEMINAR ON MANAGEMENT BY OBJECT IVES
REPORT OF GROUP-I

1. Thiru S. K. Rangarajan
   Executive Director,
   Modern Management Council, (Madras)
   MADRAS. ... Chairman

2. Thiru V. Ramamurthy, I.A.S.,
   Managing Director.
   Tamil Nadu Agro Industries
   Corporation, MADRAS. ... Vice-Chairman.

3. Thiru Syed Iqbal,
   Traffic Manager,
   Indian Airlines Corporation,
   Madras-2.

4. Thiru S. Suryanarayanan,
   Industrial Engineer,
   Hindustan Teleprinters Ltd, MADRAS.

5. Thiru T. Ramappa,
   Tube Investments of India Ltd, MADRAS.

6. Thiru/Colonel T. V. Natarajan.

7. Thiru K. M. Sundaram,
   Assistant Secretary to Government,
   Public Department.

8. Thiru C. Arunachalam,
   Section Officer,
   Public (Special) Department.

Subject : **Setting Of Objectives**

The discussion group unanimously agreed that "**Management by Objectives**" lays it primary emphasis on the management functions of planning and controlling. The function of planning necesarily aims to state explicitly requirements of future

performance and quantify them so that they can be measured at any point of time. Reviewing and controlling is also a very important function of management and must be recognised even at the time of setting objectives. Once the objectives are set. it would mean that there has been an involvement and commitment of all concerned to achieve those objectives.

The objectives should be primarily aimed at results which again should be bound by time, quantity, quality and cost.

In setting out the objectives not only the present environment but also anticipated future conditions must be taken into account. In terms of calender time, the objectives should not cover too long a period or too short a period If it is set for too long a period, sometimes it may not be possible to anticipate the element of obsolescence and consequently the objectives would need to be modified Such frequent modification of thc objectives may distort the unified direction and action in terms of long term profitability and growth,

Objectives should be classified into long term as well as short term and it would be wise to have a proper blending of these two types of objectives.

In order to be practical, the objectives should take into consideration all unalterable constraints.

The above process of setting objectives would result in clearly identifying and determining the priority in certain vital areas known as "Key-result Areas".

Another important aspect of setting the objectives is that there should be a continuous link of the objectives at different managerial levels to the over-all organisational objectives and there should be a pre-determined completion point at the end of which it should be possible to have a proper evaluation of the actual results achieved.

In conclusion, it is the exemplary manner of identifying and determining objectives and their proper understanding which are critical factors in setting objectives.

SEMINAR ON 'MANAGEMENT BY OBJECTIVES'
REPORT OF GROUP—II

1. Thiru P. Murari, I.A.S., ... Chairman
   Managing Director,
   Sakthi Pipes.

2. Thiru M. S. Hameed,
   Executive secretary.
   Madras Productivity Council.

3. Thiru A. Venkateswaran,
   Tube Investments of India Ltd).,

4. Thiru K. Kothandaraman,
   Dy. Regional Manager,
   The M. M. T. C. of India.

5. Thiru William Pratap.
   Personnel Officer,
   T. I. Diamond Chain Ltd.,

6. Thiru P. G. JayaChandra Babu.
   Assistant Secretary,
   Madras Port Trust,

7. Thiru R. Parthasarathy,
   Deputy Director of Translations,
   Government of Tamil Nadu.

8. Thiru A. John Joseph,
   Assistant Secretary to Government,
   Public Department.

Group II

Subject :—**IMPROVING MANAGEMENT PERFORMANCE**

Role of the Organisations :

1. The Corporate Management should define the Company's business and objectives. This has to be communicated to the individual Managers so that they know what they are working for.

2. To create awareness among the Managers and obtain their commitment to the fact that every Manager has an unique contribution to make which is essential for organisation's success

3. Communication of and justifications for the companies polices and procedures.

4. Provide necessary resources to each Manager, organised areas of responsibility and authority and establish very clear reporting network.

5. **Inter functional alignment and coordination**

6. Organisational policies should be reoriented to meet the changing personnel needs. Top man agreement style can no more be authoritarian. The organisational culture should be given of relook.

Rule of functional/Departmental head or the Senior Managers.

1. Departmental heads and Senior Managers should take up the responsibility to guide, coach and develop the individual Managers.

2. Alignment of jobs within the department.

3. Emphasize on performance and not on personalities.

4. Training and development.

To identify the training needs of the manager and to organise for training and development and build on the job holders' strengths.

5. Organising the individual Managers resources.

6. Responsible for evolving job improvement plans.

7. To workout an equitable career plan based on performance and potential.

8. Periodical review of the Department results and to workout modifications if required so that resources are more effectively utilised.

The role of the individual Managers.

1. To understand his job thoroughly within the overall frame-work of the organisation and analyse his own job to identify the result requirements.

2. To plan and achieve results.

3. To identify and establish control systems,

4. Establishment of effective lateral relationships.

5. Commitment to one's own unique contribution and also to the overall organisational results–Willingness to stretch.

SEMINAR ON 'MANAGEMENT BY OBJECTIVES'

Report of Group—III

1. Thiru K. N. Srinivasan
   T. I. Cycles of India ... Chairman

2. Thiru T. V. Vasudevan, I. A. S.,
   Officer on Special Duty,
   Salem Steel Ltd.,

3. Thiru A. Aravamudhan,
   Labour Welfare Officer,
   Addison & Co,,

4. Thiru T. Veeraraghavan,
   Statistical Officer,
   Department of Statistics.

5. Tmt. Latika D. Padalkar, I.A.S ,
   Deputy Secretary to Government,
   Agriculture Department.

6. Thiru A. N. Ramanathan,
   Industrial Engineer,
   Madras Productivity Council,

7. Thiru U. Sabharathinam,
   Assistant Secretary to Government,
   Public Department.

8. Thiru A. S. Krubapuri,
   Section Officer,
   Secretariat.

9. Thiru S. Manian,
   Section Officer,
   Food Seeretariat.

10. Thirumathi B. Theresa,
    Education Department,
    Corporation of Madras.

Group—III

Subject ;— **TRAINING**

1. Ascertaining the training needs of :

It is recommended that there should be continuous periodical quarterly review by the manager concerned of the performance of all the departmental personnel and a total assessment at the end of the year has to be made based on these reviews and the training needs for the individuals concerned should bc identified, It should start from the top most level of the officers.

2. Programme of fulfilment of training needs :

It is recommended that based on the annual assessment and identification of the training needs, a separate cell consisting of Experts on training programmes will programme the training courses, contents and duration etc. of such personnel.

3. It is recommended that to ensure the effectiveness of training. there may be an assessment by the expert body in the cell in-charge of the training programmes of the effectiveness of the trainers by suitable means and methods.

4. It is suggested that training programmes are linked with incentive schemes to get the best out of the persons

5. In a Governmental system this question of training the personnel at the staff level was also considered desirable.

LIST OF PARTICIPANTS IN THE SEMINAR

1. Thiru P. Murari, I.A.S.,
Managing Director,
Sakthi Pipes Ltd.

2. Thiru V. Ramamurthy, I.A.S.,
Managing Director,
Tamil Nadu Agro Industries
Corporation.

3. Thiru T. V. Vasudevan, I.A.S.,
Officer on Special Duty,
Salem Steel Ltd.,

4. Thirumathi. Latika D. Padalkar, I.A.S.,
Deputy Secretary to Government,
Agriculture Department.

5 Thiru S. K. Rangarajan.
Executive Director,
Modern Management Council (Madras)
Madras.

6. Thiru T. Ramappa,
Tube Investments of India Ltd.,

7 Thiru Syed Iqbal,
Traffic Manager,
Indian Airlines Corporation,
Madras-2.

8. Thiru S. Suryanarayanan,
Industrial Engineer,
Hindustan Teleprinters Ltd.,

9. Thiru/Colonel. T. V. Natarajan.

10. Thiru M. S. Hameed,
Executive Secretary,
Madras Productivity Council.

11. Thiru A. Venkateswaran,
Tube Investments of India Ltd.

12. Thiru K. Kothandaraman,
Dy. Regional Manager,
The M. M. T. C. of India.

13. Thiru William Pratap,
Personnel Officer,
T. I. Diamond Chain Ltd.

14. Thiru K. N. Srinivasan,
T. I. Cycles of India.

15. Thiru A. Aravamudhan,
Labour Welfare Officer,
Addision & Co.,

16. Thiru A. N. Ramanathan,
Industrial Engineer,
Madras Productivity Council,

17. Thiru U. Sabharathinam,
Assistant Secretary to Government,
Public Department.

18. Thiru R. Parthasarthy,
Deputy Director of Translations,
Government of Tamil Nadu.

19. Thiru A. John Joseph,
Assistant Secretary to Government,
Public Department.

20. Thiru K. M. Sundaram,
Assistant Secretary to Government,
Public Department.

21. Thiru P. G. Jayachandra Babu,
Assistant Secretary,
Madras Port Trust.

22. Thiru A. S. Krubapuri,
Section Officer,
Secretariat.

23. Thiru C. Arunachalam,
Section Officer,
Public (Special) Department.

24. Thiru T. Veeraraghavan,
Statistical Officer,
Department of Statistics.

25. Thiru S. Manian,
Section Officer,
Food Secretariat.

26. Thirumathi B. Therasa,
Education Department,
Corporation of Madras.

THE SEMINAR IN RETROSPECT

The Tamilnadu Regional Branch of the Indian Institute of Public Administration has been conducting seminars on various important aspects of administration. The Regional Branch has under consideration a proposal to hold a seminar on Management by Objectives. The Branch therefore approached the I. I P. A , Delhi, for financial assistance to enable it to conduct the Seminar. The Indian Institute of Public Administration, Delhi very kindly sanctioned a sum of Rs. 2,000 for expenditure. This was in November '73. Soon afterwards we got to working out the details of the Seminar. The Madras Productivlty Council also come forward to assist us in holding the Seminar. On account of the preoccupation of some of the members, it would not be possible to hold the Seminar in December '73 or January '74. It was therefore decided to hold the Seminar towards the end of April. Seminar was actually held on 29-4-74 and 30-4-74.

The Seminar was held in the Old Legislators' Hostel on the first floor. This provided a very nice setting. The officials of the Legislature Department as also those attached to the Office of the Superintendent, Government House Estate gave us the maximum assistance possible. The names of Thiru T. Radhakrishnan, Assistant Secretary, Legislature Thiru V. R. Gurumurthy Caretaker, Rajaji Hall deserve special mention.

The Seminr was inaugurated by Thiru N. V. Natarajan, the Minister for Backward Classes. The function was attended by a number of members of the Regional Branch and some others. Thiru H. K. Ghazi, I. A. S., Secretary of the Tamil Nadu Branch welcomed the gethering. Thiru P. A. Menon, I. C. S. (Retd.) Vice-President of the Branch who presided over of the function, spoke on this occasion. He emphasised the importance of Management by Objectives, Thiru N. V. Natarajan, the Minister for Backward Classes then inaugurated the Seminar, He emphasised the importance of Management by Objectives both in the field of management and administration. His thought provoking address virtually set the guidelines of the subsequent proceedings. Thiru M. S. Hameed, Executive Secretary of the Madras Productivity Cauncil proposed a vote of thanks. The function was followed by a film show on Management by Objectives. This film which has been directed by John W. Humble was secured from Lucas-TVS Ltd., This film provided both instruction and entertainment.

On 30 April, 1974. the members of the Working Groups met in a plenary session under the Presidentship of Thiru G. V. S. Mani, President of the Management Association, Andhra Pradesh, Thiru H. K. Ghazi read his note on Management by Objectives–a background note. The intention was to bring into focus some of the important aspects of M B. O. Thiru G. V. S. Mani stressed the importance of M. B. O. He suggested that, apart from administrators and Managers we should also associate public men with the Seminars in much larger numbers so that the aim of M.B.O. is realised by them also. Thiru T. Ramappa, Thiru A. Venkateswaran and Thiru K. N. Srinivasan, Panel leaders than presented their papers and initiated the discussion on their subjects. Thiru S. K. Rangarajan presented his paper on Management by Objectives applied to Capital Budgetting. Thiru V. Ramamurthy, I, A. S. also presented his paper on Communication. Thiru S. Narayan, I.A.S. and Thiru R. Baktha, were unfortunately not presrnt but their papers were distributed and they were discussed, by the Working Groups later. After these speeches, there was a short coffee break. The working groups were then constituted and they started their deliberations. The Working Groups woke up for lunch at 1-30 and after lunch, re-assambled at 2-30 p.m. to continue their deliberations. After a lively discussion the Working Groups finalised their reports and had them typed before 4 P.M.

The concluding session began at 4 P.M. Thiru P. A. Menon, I.C.S, (Retd) presided over the concluding session in the absence of Thiru R. Ratnam, who could not come on account of his illness. Thiru S. V. Chittibabu, Director of Collegiate Education welcomed the gathering. He laid great stress on the importance of education and training in the field of M. B. O. The report for the First Group was presented by Thiru S. K. Rangarajan. Thiru A. Venkateswaran presented the report for the Second Working Groug and Thiru T. V. Vasudevan presented the report of the Third Working Group. The Reports were adopted without any modification. Thiru R. Thillainayagam, Managing Director, Pallava Transport Corporation proposed a vote of thanks.